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BEFORE THE

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INDIANA UTILITY REGULATORY COMMISSION INDIANA UTILITY
REGULATORY COMMISSION

PETITION OF THE BOARD OF DIRECTORS)
FOR UTILITIES OF THE DEPARTMENT OF)
PUBLIC UTILITIES OF THE CITY OF)
INDIANAPOLIS, AS SUCCESSOR TRUSTEE)
OF A PUBLIC CHARITABLE TRUST, D/B/A)
CITIZENS GAS & COKE UTILITY FOR (1))
AUTHORITY TO INCREASE ITS RATES AND)
CHARGES FOR GAS UTILITY SERVICE AND)
APPROVAL OF A NEW SCHEDULE OF)
RATES AND CHARGES APPLICABLE)
THERE TO, (2) AUTHORITY, TO THE EXTENT)
NECESSARY AS AN ALTERNATIVE)
REGULATORY PLAN, TO RECOVER THE GAS)
COST COMPONENT OF ITS NET WRITE-OFFS IN)
ITS GAS COST ADJUSTMENT FILINGS,)
(3) AUTHORITY PURSUANT TO 170 IAC 5-1-27(F))
FOR A NON-GAS COST REVENUE TEST TO)
DETERMINE WHEN DEPOSITS ARE REQUIRED)
FOR EXTENSION OF FACILITIES, (4) APPROVAL)
OF OTHER CHANGES TO ITS GENERAL TERMS)
AND CONDITIONS FOR GAS SERVICE, AND (5))
APPROVAL OF NEW DEPRECIATION ACCRUAL)
RATES)

CAUSE NO. 43463

VERIFIED PETITION

The Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, as successor trustee of a public charitable trust, d/b/a Citizens Gas & Coke Utility ("Petitioner"), respectfully petitions the Indiana Utility Regulatory Commission ("Commission") for: (i) authority to increase its rates and charges for gas utility service rendered by it and approval of a new schedule of rates and charges applicable thereto; (ii) authority, to the extent necessary as an alternative regulatory plan, to track the gas cost component of its net write-offs in its gas cost adjustment filings; (iii) authority pursuant to 170 IAC 5-1-27(F) for a non-gas cost

revenue test to determine when deposits are required for extension of facilities; (iv) approval of certain other changes to its general terms and conditions for gas service; and (v) approval of new depreciation accrual rates. In support of its Verified Petition, Petitioner states as follows:

Nature of Petitioner and Regulatory Status

1. Petitioner is the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, as successor trustee of a public charitable trust, d/b/a Citizens Gas & Coke Utility. Its principal office is at 2020 North Meridian Street, Indianapolis, Indiana 46202. Petitioner distributes natural gas to the public, and provides gas delivery services to its eligible transportation customers. As of September 30, 2007, Petitioner provided gas service to approximately 258,974 residential, commercial, and industrial customers in and around Marion County, Indiana.

2. Petitioner provides adequate and efficient gas service to its customers by means of gas utility plant, properties, equipment and facilities owned, operated, managed and controlled by it, which are used and useful for the convenience of the public. Petitioner's gas plant includes, without limitation, transmission, distribution and liquefied natural gas storage facilities. Petitioner also owns underground natural gas storage facilities in Greene County, Indiana.

3. Pursuant to the terms of IC 8-1-11.1-3(a), Petitioner is charged by law with the duty of, and has all the necessary power and authority to furnish and sell services and products of, and to make all necessary construction, reconstruction, repairs, renewals, enlargements, extensions or additions to its plant and property, which in its judgment, are "desirable or necessary for the proper conduct of such business and the proper serving of the inhabitants of the city and adjacent, contiguous or suburban communities or territory" within Marion County, Indiana and adjacent areas.

4. Petitioner is a municipal gas utility as defined in IC 8-1-2-1(h) and an energy utility as defined in IC 8-1-2.5-2. Pursuant to IC 8-1-2.5-4, Petitioner elects to become subject to IC 8-1-2.5-5 and 6 to the extent that any of the relief requested herein is the subject of an alternative regulatory plan. Petitioner is subject to the jurisdiction of the Commission in the manner and to the extent provided by the laws of the State of Indiana, including certain provisions of the Public Service Commission Act, as amended.

5. Petitioner's rates and charges, and its terms and conditions for gas service, are subject to the approval of this Commission by virtue of the provisions of IC 8-1-11.1-3(c)(9). Pursuant to IC 8-1-11.1-3.1, Petitioner has all rights and powers conferred on a municipally owned utility and operates as both the board and the municipal legislative body for purposes of IC 8-1.5-3-8(e) and (f).

6. Under the provisions of IC 8-1.5-3-8, Petitioner is required by law to "furnish reasonably adequate services and facilities." Petitioner's gas utility system is properly maintained and is in satisfactory physical condition to render reasonably adequate service to its customers.

7. Pursuant to IC 8-1.5-3-8, rates and charges made by Petitioner for any service rendered or to be rendered, either directly or in connection therewith, "must be nondiscriminatory, reasonable, and just." Petitioner is obligated by law to maintain rates and charges for any service rendered by it to "produce an income sufficient to maintain the utility property in a sound physical and financial condition to render adequate and efficient service." IC 8-1.5-3-8(d). Petitioner's revenues and income from rates and charges for services need to be increased so that it can continue to operate and maintain its gas utility system in satisfactory physical and financial condition to render reasonably adequate service to its customers, and to

meet the requirements for reasonable and just rates and charges for services under IC 8-1.5-3-8(c), (d) and (e).

Petitioner's Present Rates and Charges

8. On October 23, 2006, Petitioner placed into effect a schedule of rates and charges designed to recover the revenue requirements the Commission approved in its October 19, 2006 Order in Cause No. 42767, based on a test year ending September 30, 2004. Petitioner's schedule of rates and charges also includes tracking factors which reflect: (i) charges for Variable Rate Supply Service, Back-up Supply Service, Usage Balancing Service, and Balancing (Rider A); (ii) charges for Supply of Last Resort Service, Basic Usage Balancing Service and Non-Performance (Rider B); (iii) funds made available from the non-regulated activities of Petitioner and its affiliates (Rider C); (iv) a normal temperature adjustment (Rider D); (v) an Energy Efficiency Adjustment for recovery of the cost of funding energy efficiency efforts and for reconciliation of the difference between Petitioner's actual margins and adjusted order granted margins (Rider E); and (vi) a Universal Service Fund Rider established by Order in consolidated Cause Nos. 43077 and 43078 (Rider F).

9. On March 5, 2007, Petitioner, the Indiana Office of the Utility Consumer Counselor and the Citizens Industrial Group filed a Settlement Agreement, which resolved certain issues that were pending on rehearing and appeal of the October 19, 2006 Order in Cause No. 42767. The Commission approved the terms of that Settlement Agreement by Order dated August 29, 2007. Petitioner filed its compliance rates and charges in accordance with said Order on August 31, 2007, and those rates and charges were placed into effect on September 1, 2007.

10. Petitioner's rates and charges for gas service, as approved by the Commission in Cause No. 42767, and as thereafter modified by the Order dated August 29, 2007 approving the

Settlement Agreement and by the tracking factors herein described, result in the collection of revenues which do not meet the requirements of reasonable and just rates and charges set forth in IC 8-1.5-3-8. Therefore, Petitioner's rates and charges are and will be too low and insufficient to:

(1) Pay all the legal and other necessary expenses incident to the operation of the utility, including:

- (A) Maintenance costs;
- (B) Operating charges;
- (C) Upkeep;
- (D) Repairs;
- (E) Depreciation; and
- (F) Interest charges on bonds or other obligations, including leases;

(2) Provide a sinking fund for the liquidation of bonds or other obligations, including leases;

(3) Provide a debt service reserve for bonds or other obligations, including leases, in an amount established by the [Board of Directors], not to exceed the maximum annual debt service on the bonds or obligations or the maximum annual lease rentals;

(4) Provide adequate money for working capital;

(5) Provide adequate money for making extensions and replacements to the extent not provided for through depreciation in subdivision (1); and

(6) Provide money for the payment of any taxes that may be assessed against the utility.

Accordingly, Petitioner's rates and charges presently in effect are unlawful under IC 8-1.5-3-8.

11. Petitioner's existing schedule of rates and charges needs to be further adjusted to reflect the results of a cost-of-service study.

12. Petitioner purchases gas for purposes of providing gas service to its customers. The cost of that gas is recovered through Petitioner's GCA mechanism. The GCA mechanism in

its current form determines the GCA charge by dividing Petitioner's gas costs by its sales volume. However, when customers do not, or cannot, pay their bills and Petitioner is not successful in its collection efforts, Petitioner must write-off the uncollected amount. Approximately 75% of Petitioner's net write-offs represents gas costs that have been incurred by Petitioner. When Petitioner's gas costs were more stable and lower in prior years, a representative level of net write-offs, including the gas cost component, was recovered in Petitioner's base rates. But, now gas costs are much higher and much more volatile than in the past. Therefore, Petitioner proposes to continue to recover through its base rates, the non-gas cost component of net write-offs at a fixed ratio of 0.8% of gas sales revenue; but requests Commission authorization (to the extent necessary as an alternative regulatory plan under IC 8-1-2.5-6) to recover in its quarterly GCA filings the gas cost component of net write-offs at a fixed ratio of 0.8% of total gas costs. Including a fixed portion of the gas cost component of net write-offs in the GCA mechanism is permitted by the GCA statute and is an accurate and appropriate way to recover these gas costs, especially given the very high and volatile market price for gas. Moreover, the proposed cost recovery mechanism will continue to provide an incentive for Petitioner to diligently manage its net write-offs. Petitioner's case-in-chief will include proposed GCA schedules designed to effectuate this proposed change. To the extent the foregoing request to include a fixed portion of the gas cost component of net write-offs in its GCA filings would require Commission approval under the terms of IC 8-1-2.5-6 as an alternative regulatory practice, procedure, mechanism, or plan, Petitioner hereby requests that the Commission provide any required approval in this proceeding.

Petitioner's Proposed Rates and Tariff Revisions

13. Petitioner proposes a number of revisions to its tariff for gas service that are described in its case-in-chief. By way of example, pursuant to 170 IAC 5-1-27(F), Petitioner requests that the Commission approve a change in the test for determining when a deposit is required for an extension of Petitioner's gas facilities from three years of total revenue to 5 ½ years of non-gas cost revenue.

14. Petitioner proposes, subject to the authorization and approval of this Commission, to cancel its existing schedule of rates and charges for gas service and to file with the Commission, in lieu thereof, a new schedule of rates and charges which will provide it with reasonable and just rates and charges for services within the meaning of IC 8-1.5-3-8. Petitioner's proposed schedule of rates and charges are based on an updated cost-of-service study, to better reflect the cost-of-service by customer class.

15. Petitioner's proposed revised schedule of rates and charges and terms and conditions of service will be accompanied by the prepared direct testimony and exhibits of Petitioner's witnesses and are being filed with the Commission simultaneously herewith.

Test Year

16. In accordance with 170 IAC 1-1.1-9(b), Petitioner proposes that the 12-month period ended September 30, 2007 be the test year fixed by the Commission, and that the cut-off date for adjustments that are reasonably known, fixed, and measurable, be within twelve months following the close of the test year.

New Depreciation Accrual Rates

17. Petitioner has caused to be prepared and will present a depreciation study as part of its case-in-chief. Petitioner requests Commission approval of revisions to its depreciation accrual rates for its gas utility plant in accordance with the results of that study.

Procedural Matters

18. Petitioner will publish notice to its customers of the filing of this Verified Petition and the requested upward adjustment to its rates and charges pursuant to IC 8-1-2-61 and IC 8-1-2.5-6(d). Petitioner will give its residential customers further notice of the precise extent of the requested rate adjustment (including the proposed new schedule of rates and charges) in accordance with 170 IAC 5-1-18(C).

19. Petitioner proposes that its new rates and charges be based upon its gas utility operations at September 30, 2007 and the results of its operations on an as-adjusted basis for the 12-month period after that date. Pursuant to 170 IAC 1-1.1-15(b) of the Commission's Rules of Practice and Procedure, Petitioner requests that the Commission convene a prehearing conference and preliminary hearing for the purposes of establishing a procedural schedule, resolving accounting, engineering, and such other matters as may properly come before the Commission in this proceeding.

20. The names and addresses of Petitioner's attorneys in this matter, to whom all correspondence and communications in this Cause should be sent, are:

Michael E. Allen (Atty. No. 20768-49)
Citizens Gas & Coke Utility
2020 N. Meridian Street
Indianapolis, IN 46202
Telephone: (317) 927-4318
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Indianapolis, IN 46204-2030
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Said attorneys are counsel for Petitioner and are duly authorized to accept service of papers in this Cause on behalf of Petitioner. In addition, papers filed in this proceeding should be served on LaTona S. Prentice, Executive Director of Regulatory Affairs, Citizens Gas & Coke Utility, 2020 N. Meridian Street, Indianapolis, Indiana 46202.

WHEREFORE, Citizens Gas respectfully requests that the Indiana Utility Regulatory Commission make an investigation and hold such hearings as it shall deem necessary and advisable in this proceeding and thereafter make and enter an Order in this Cause:

- (i) Finding that Petitioner's existing rates and charges for gas service are unjust, unreasonable, unlawful and inadequate to provide its annual requirements for funds for those items enumerated in IC 8-1.5-3-8;
- (ii) Determining, and by Order authorizing and approving just, reasonable, and sufficient rates and charges to be imposed by Petitioner in the future, in lieu of such present rates and charges;
- (iii) Authorizing Petitioner to recover the gas cost component of net write-offs in its quarterly GCA filings;
- (iv) Approving various changes in Petitioner's terms and conditions of service, including a variation from 170 IAC 5-1-27 to substitute a 5 ½ year non-gas cost revenue test for the 3-year total revenue test in determining when a deposit will be required for a facilities extension;
- (v) Authorizing Petitioner to revise the depreciation accrual rates applicable to its gas utility property in accordance with the depreciation study to be submitted as part of Petitioner's evidence in this proceeding;

- (vi) Authorizing and approving the filing of new schedules of rates and charges and terms and conditions of service applicable to the gas service rendered by Petitioner, embodying the just and reasonable rates and charges;
- (vii) Authorizing and approving additional requested changes to Petitioner's tariffs; and
- (viii) Granting such other and further relief as the Commission may deem necessary and appropriate in the premises.

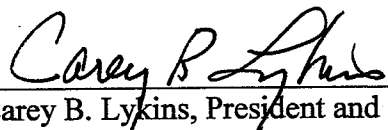
DATED this 18th day of March, 2008.

BOARD OF DIRECTORS FOR UTILITIES OF
THE DEPARTMENT OF PUBLIC UTILITIES OF
THE CITY OF INDIANAPOLIS, AS
SUCCESSOR TRUSTEE OF A PUBLIC
CHARITABLE TRUST

By: Carey B. Lykins
Carey B. Lykins, President and Chief
Executive Officer

STATE OF INDIANA)
) SS:
COUNTY OF MARION)

Carey B. Lykins, being first duly sworn upon oath, deposes and says that he is the President and Chief Executive Officer for the Board of Directors for Utilities of the Department of Public Utilities of the City of Indianapolis, as successor trustee of a public charitable trust, d/b/a Citizens Gas & Coke Utility, Petitioner in the above-entitled Cause; that as such he executed the foregoing Petition for and on behalf and in the name of said Board of Directors for Utilities, and has authority to do so; that he has read the foregoing Petition and is familiar with the contents thereof; and that the statements therein contained are true to the best of his knowledge, information and belief.



Carey B. Lykins, President and Chief
Executive Officer

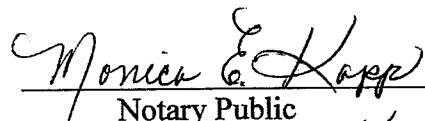
STATE OF INDIANA)
) SS:
COUNTY OF MARION)

Before me, a Notary Public in and for said County and State, personally appeared Carey B. Lykins who acknowledged the execution of the foregoing Petition.

Witness my hand and notarial seal this 18 day of March, 2008.

My Commission Expires:

Dec. 17, 2015



Notary Public
Printed: MONICA E. KAPP
Resident of Marion County

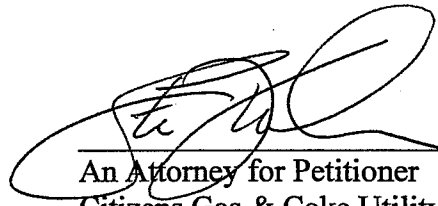
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Attorneys for Petitioner
Citizens Gas & Coke Utility

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing "Verified Petition" of the Board of Directors for Utilities was served on the Indiana Office of Utility Consumer Counselor by delivering a copy thereof to said office on this 18th day of March, 2008.


An Attorney for Petitioner
Citizens Gas & Coke Utility

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